

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE  
EXECUTIVE OFFICE OF THE PRESIDENT  
WASHINGTON, D.C.  
20508**

---

USTR PRESS RELEASES ARE AVAILABLE ON THE USTR WEBSITE AT [WWW.USTR.GOV](http://WWW.USTR.GOV).

---

**For Immediate Release:  
March 16, 2004**

**Contact:**

**04-21**

**Richard Mills / Neena Moorjani  
(202) 395-3230**

**United States Files WTO Case Against Mexico Over Two Discriminatory Beverage Taxes Involving High Fructose Corn Syrup**

WASHINGTON - United States Trade Representative Robert B. Zoellick announced today that the United States filed a case against Mexico in the World Trade Organization (WTO) regarding Mexico's 20 percent sales tax and 20 percent distribution tax on sweetened beverages that do not use cane sugar. The U.S. believes Mexico's beverage tax is inconsistent with Mexico's obligations in the WTO to apply taxes on comparable domestic and imported products in a non-discriminatory manner.

"Mexico's beverage taxes are discriminatory and protectionist. We attempted to settle this dispute through negotiations, in close consultation with our industry," Zoellick said. "Unfortunately, the negotiations did not resolve the matter, so now it is time to enforce our rights in the WTO. This Administration will continue to work to make sure Americans are treated fairly and that there is a level playing field for our exports."

Only beverages that use high fructose corn syrup (HFCS) or any other sweetener other than cane sugar are subject to the beverage taxes. Beverages that use cane sugar are not subject to the taxes. The taxes have sharply restricted U.S. exports of HFCS, a corn-based sweetener that competes with sugar in many applications.

In close consultation with U.S. stakeholders, Senate Finance Committee Chairman, Charles Grassley (R-IA), and other interested members of Congress, the Administration had been working to resolve the problem.

**Background:**

In the 1990s, the U.S. corn refining industry began exporting significant quantities of HFCS to Mexico as Mexican soft drink bottlers began to substitute HFCS for sugar as a sweetener in soft drinks and other beverages. The U.S. industry also opened two facilities in Mexico to produce HFCS from imported U.S. corn.

In 1998, Mexico imposed antidumping duties on imported U.S. HFCS. The United States challenged Mexico's antidumping duties in the WTO and won that case. In late 2001, the WTO adopted the findings of a dispute settlement panel and the Appellate

Body that Mexico's antidumping duties were inconsistent with the WTO Antidumping Agreement.

Shortly thereafter, in January 2002, Mexico imposed a 20 percent sales tax on soft drinks and other beverages that use any sweetener other than cane sugar, and another 20 percent tax on the distribution of these beverages. Sugar-sweetened beverages are exempt from the taxes. The beverage taxes have sharply curtailed U.S. HFCS producers' access to Mexico's market for soft drinks and other beverages.

As a result of these measures, U.S. HFCS exports to Mexico have been drastically reduced. In 1997, the year before the anti-dumping duties were imposed, U.S. exports of HFCS to Mexico were 193,519 metric tons, commercial basis, worth \$63 million. In 2003, U.S. exports were 4,111 metric tons, commercial basis and valued at \$1.5 million.

The United States and Mexico have engaged in extensive efforts to find a negotiated resolution of this and other sweeteners-related issues. These efforts have not succeeded.

Today's consultations request is the first step under WTO dispute settlement rules. If the consultations fail to resolve the dispute within 60 days, the United States will be entitled to request that a panel be established to consider the U.S. complaint and determine whether Mexico is acting in accordance with its WTO obligations. The WTO dispute settlement process takes about 18 months, if there is an appeal.

The U.S. recently won a telecommunications case against Mexico. On Friday, March 12, 2004, Zoellick announced that a WTO panel had agreed with the U.S. that Mexico's current regime for international telecommunications violates Mexico's WTO obligations. U.S. carriers have estimated that Mexico's artificially high interconnection charges have resulted in excess payments by U.S. companies and consumers of well over \$1 billion since 2000. Mexico's international telecommunications rules require U.S. carriers to connect with Mexican telecommunications providers to complete calls from the United States to Mexico, known as "interconnection," and grants Mexico's dominant carrier, Telmex, the exclusive authority to negotiate the rate for connecting calls into Mexico.

# # #